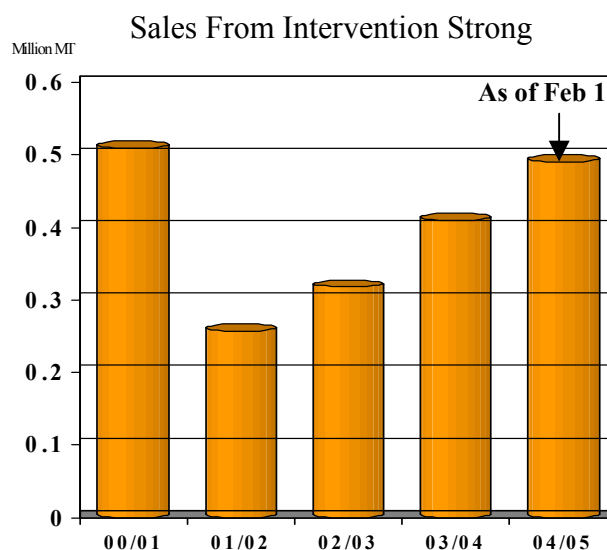
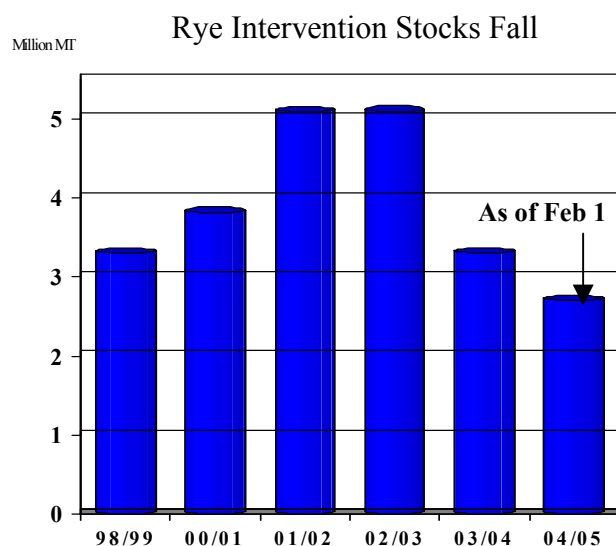


COARSE GRAINS: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

U.S. Corn Exports Still Sliding: U.S. exports are forecast to drop by 1.5 million tons again this month to 48.0 million, just below last year's level of 48.6 million tons, with stronger competition from Argentina and larger global grain supplies.

EU Rye Stocks In Permanent Decline: With rye no longer eligible for intervention support following EU policy changes, intervention stocks have been slashed in half from levels as high as 5 million tons just 2 years ago. Driving the stock drawdown has been aggressive sales for export, at prices as low as 50 euros, only half what was originally paid for it! Nearly half a million tons have already been sold, the most since 2000/01, and such low prices have made that rye attractive to markets such as Japan. Once these stocks are eventually depleted, however, the EU will likely not be a viable major rye exporter. Removing the guaranteed market at a guaranteed price (intervention) is forcing some changes in the EU rye market. Many farmers are switching to other more profitable crops where possible (winter rye plantings in Germany are reportedly down as much as 10 percent). Industrial use of surplus rye is likely to expand as ethanol plants are being built.



PRICES:

Domestic: January export bids for #2 yellow corn averaged about \$96/MT, unchanged from last month.

January export bids for #2 yellow sorghum (Texas Gulf) averaged \$90/MT, down \$1 from last month and \$32 below year-ago prices. Sorghum carried a \$6-per-ton discount to corn in January, widening slightly from the previous month.

TRADE CHANGES IN 2004/2005

Selected Exporters

- **United States corn** is cut by another 1.5 million tons this month to 48.0 million because of fierce competition from Argentina and a dearth of fresh export sales.
- **Argentina corn** is raised by 1.0 million tons to 12.5 million, the second highest in 7 years, because of large supplies and aggressive sales.
- **Ukraine corn**, despite a record crop, is down by 200,000 tons to 1.8 million because of quality concerns and slow shipments to Russia.
- **Australia barley** is boosted by 500,000 tons to 3.8 million as a result of an aggressive, early season sales and shipment pace.
- **Bulgaria and Romania barley** are each cut by 100,000 tons (to 200,000 and 400,000, respectively) because of sluggish sales and shipments.
- **Russia barley** is slashed by 500,000 tons in light of an export pace that is 1.0 million tons behind last year.
- **Ukraine barley** is raised by 200,000 tons, reflecting recent trade data. Early season shipments are over 1.0 million tons ahead of last year.

Selected Importers

- **Canada corn** is down by 200,000 tons to 2.0 million, the lowest in 5 years. The recent stocks report suggests that corn feed use is weak.
- **Indonesia corn** is cut by 200,000 tons to 1.1 million because of ample supplies resulting from the largest crop in 6 years.
- **Russia corn** is down 200,000 tons to 400,000 because of the largest crop in 15 years.
- **Russia rye** is up 100,000 tons to 200,000 as record low production has necessitated imports from Ukraine and Germany.

